ONTARIO LOTTERY CORPORATION
ANNUAL REPORT
1989–1990

91-04260/

October 1, 1990

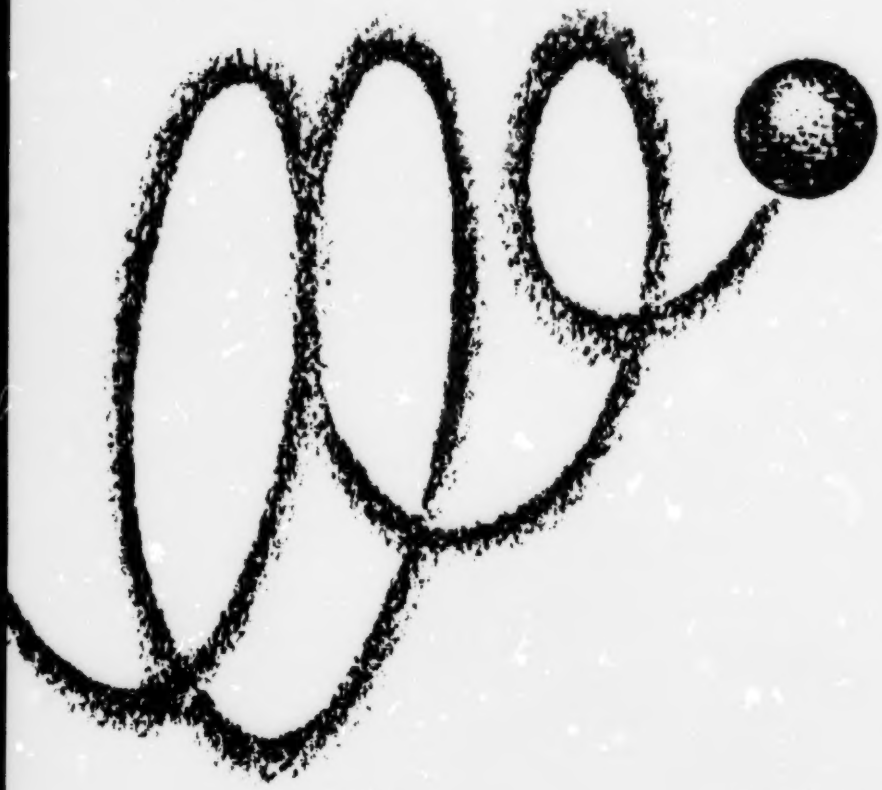
The Honourable Peter North
Minister of Tourism and Recreation
77 Bloor St., West
Toronto, Ontario
M7A 2R9

Dear Mr. North:

Pursuant to the provisions of the Ontario Lottery Corporation Act, I am pleased to present the annual report of the Ontario Lottery Corporation for the year ending March 31, 1990.

Yours very truly,

Walter G.D. Stothers
Chairman of the Board



Front cover:
Lottery funds, through a Trillium Foundation grant, support the work of the Canadian Guide Dogs for the Blind, a training centre in Manotick, Ontario. Frances Tanner-Dalrymple travels about safely with her guide dog Jade.

Front cover photos by Brian Willer.

BOARD MEMBERS

Walter G.D. Stothers, F.C.A.
Thornhill, chairman
(April 17, 1986 - Feb. 16, 1992)

Sandra McKinnon Jolley
Toronto, vice-chairperson
(June 2, 1986 - Feb. 16, 1992)

Anne B. Bender
Mississauga, director
(March 26, 1987 - Feb. 16, 1993)

Chan Yeung Kang, LL.B.
Toronto, director
(June 2, 1986 - Feb. 16, 1992)

David Polowin
Nepean, director
(Feb. 26, 1987 - Feb. 16, 1993)

Milton Joseph Lewis
Hamilton, director
(March 9, 1990 - Feb. 16, 1993)

Dr. Gary S. Dibb
Toronto, director
(March 21, 1990 - Feb. 16, 1993)

Reinhard Zobrist
Bracebridge, director
(Oct. 5, 1989 - Feb. 16, 1992)

SENIOR STAFF

Ian Nielsen-Jones
president

Tom Dalton
vice-president
Finance and Administration

Adam J. Hawkins
vice-president
Toronto Operations

George Koutris
vice-president
Sales and Distribution

Patrick McDougall
vice-president
Corporate Communications

D'Arcy McGee
vice-president
Systems and Technology

Philip Rowlatt-Smith
vice-president
Marketing

Terry Dyer
controller

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ABOUT THE ONTARIO LOTTERY CORPORATION

The Ontario Lottery Corporation (OLC) was established in 1975 to develop and manage provincial government lotteries.

During the 1989/90 fiscal year the Corporation operated Wintario/Wintario EXTRA, Lottario, Instant, Pick-3, Encore (Ontario-only games), Provincial, Lotto 6/49 and periodic Special Event games (interprovincial games).

In its capacity as a Crown corporation, the OLC has generated more than $3.5 billion in profits for the province of Ontario.

Profits were made available in the fiscal year under review for sports, physical fitness, recreational and cultural activities through the ministries of Tourism and Recreation, Citizenship, and Culture and Communications. Other beneficiaries included province-wide social service charities through the Trillium Foundation. Proceeds not used by these lottery programs are allocated to hospital operating expenses.

Throughout the fiscal year the Corporation undertook extensive development and consumer research related to the game elements, name, logo and communications strategy for a new lottery called Cleansweep. Profits from this lottery, which will launch in mid-1990, will be used to protect the environment.

1989/90 HIGHLIGHTS

Sales
- Cash sales were $1.32 billion, up $19 million

Profit
- $508.1 million, up $8.5 million

Prizes
- Cash prizes - $622.1 million, up $13.9 million

Prize Money Unclaimed
- $67.2 million
- Prizes may be claimed for up to one year. For reporting purposes on the balance sheet, all unclaimed prize money is combined under the heading "Prize money unclaimed." These funds fall into three categories:
  i) prizes from draws less than one month old;
  ii) prizes from draws one to 12 months old; and
  iii) prizes from draws which are more than 12 months old.
  These latter funds (iii) are considered unclaimed and are used for bonus promotions.

($ Millions)	1989/90
20.4	Prizes (0-1 month)
18.7	Prizes (1-12 months)
28.1	Prizes (12+ months)
67.2	Total

Operating Expenses
- 6.7% of cash sales, net of interest income
- Operating expenses, net of interest income were $88.2 million

Commissions
- $101.2 million, down $1.1 million

New Games
- Encore - November, 1989
- Wintario EXTRA - January, 1990

TEN YEAR REVIEW–OPERATING HIGHLIGHTS ($MILLIONS)

	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
Cash Sales	422.9	448.6	494.7	608.8	759.5	946.4	1,254.4	1,273.9	1,300.6	1,319.6
Commissions	41.2	41.4	44.1	50.3	60.6	75.4	100.2	101.1	102.4	101.2
Prizes Cash and free tickets	270.3	271.9	294.4	341.0	415.5	510.9	673.8	679.6	685.6	685.9
Total Operating Expenses *	27.3	36.2	45.7	46.0	75.8	81.5	83.6	85.3	96.6	97.2
Interest	6.7	8.9	6.4	4.6	5.5	6.4	5.8	5.6	6.3	9.1
Net Profit *	158.2	166.3	172.2	229.1	265.5	346.4	485.0	495.2	499.6	508.1
Number of Games	4	4	5	6	6	6	6	6	6	7

* Payments to Government of Canada have been excluded from prior year comparisons to conform with the 1990 presentation.

CHAIRMAN'S REPORT

For the fourth consecutive year the Ontario Lottery Corporation has recorded sales of over $1 billion, demonstrating the public's continuing enthusiasm for lotteries and the important community programs being supported.

The Corporation generated record profits of $508.1 million on cash sales of $1.32 billion during the fiscal 1989/90 compared to the previous year's totals of $499.6 million and $1.3 billion respectively.

Since 1975, when Ontario government lotteries began, the Corporation has raised $3.5 billion in profits for a variety of important projects throughout our province.

During the 1989/90 fiscal year, profits were made available to sports, physical fitness, recreational and cultural programs. As well, $17 million went to the Trillium Foundation for distribution to social service charities throughout Ontario. Proceeds not used by these lottery programs are allocated to hospital operating expenses.

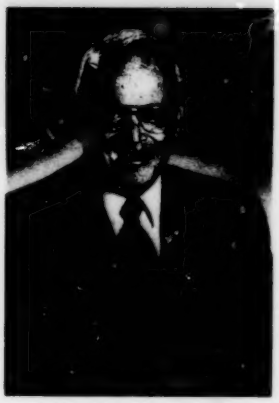
In all of its activities, the Corporation's continuing goal is to maintain a stable and efficient source of funding for the government of Ontario and the many worthwhile projects supported by lottery dollars.

We remain strongly committed to delivering a wide selection of low-cost and exciting entertainment to our players. A continuing objective is the improvement of our customer service and new product offerings.

In step with this, we developed a new lottery whose profits are earmarked for the protection of Ontario's environment. Called Cleansweep, this unique on-line game will be launched in the summer of 1990.

The relocation of our headquarters from Toronto to Sault Ste. Marie — a move that is part of the government's Northern Ontario Relocation Program — is progressing on schedule. Construction of a new government building, which will house the Corporation, is expected to be completed by the fall of 1991. Meanwhile, the Corporation is occupying two temporary locations in the Sault, while at the same time decreasing its physical presence in Toronto.

As expected, our relocation is providing many business and employment opportunities locally. More than 60% of our employees are now from the Sault.



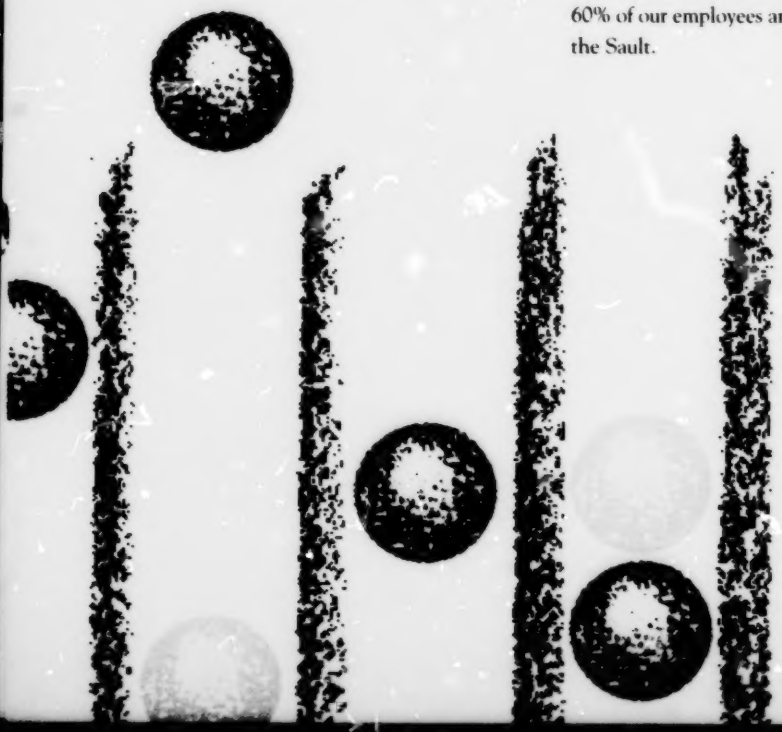
The Corporation is also assisting OLC staff, who have decided not to relocate, with their future careers. We are grateful to them for their valued contribution to our past successes and wish them the best in their new endeavours.

On behalf of the Board of Directors, I would like to welcome both new and relocating employees to the OLC team as we set out to meet future opportunities in our new home base. We are embarked on an exciting and rewarding journey together.

There is no doubt the Corporation could not accomplish its goals without the talented people who work for it, its distributors and retailers who offer our products for sale to the public and the many enthusiastic lottery players.

With this ongoing strong support, we at the Corporation pledge to work even harder to continue our contribution to important lottery projects during the 1990s.

Walter G.D. Stothers
Chairman of the Board



PRESIDENT'S REPORT

The Ontario Lottery Corporation continues to meet its financial objectives of achieving growth and improving profitability. Rising to the challenges of a maturing market, the Corporation increased sales in 1989/90 by $19 million to $1.32 billion. Profits rose from $499.6 million to $508.1 million. In addition, the OLC gave away more than $622.1 million in cash prizes during 1989/90.

The Corporation achieved its sales increases largely by introducing new and different products into the lottery market and by utilizing innovative ways of providing our customers with all types of lottery information. The Corporation intends to work hard to increase its contribution to the province in the coming year.

In January, we replaced the Corporation's oldest game, Wintario, with Wintario EXTRA, a game with better odds, more prizes each week and more interesting ticket design and graphics. Cash sales for Wintario/Wintario EXTRA were $106 million this fiscal year, $6 million ahead of last year. Profits were $21.6 million, a $6.6 million increase over last year.

Encore, the new add-on game to Lotto 6/49, was introduced successfully in November 1989. Cash sales achieved were $36.7 million, generating profits of $7.8 million. Almost 40 per cent of Lotto 6/49 purchases each draw include an Encore selection.

Lotto 6/49, which is operated in conjunction with four other Canadian lottery jurisdictions serving the other Canadian provinces and territories, continues to garner more sales than any other Ontario lottery game. Sales of $727.9 million in Ontario in 1989/90 were $8.7 million ahead of last year.

Weekly Ontario sales averaged $12.2 million with the game providing additional profits of $5.5 million over a year ago, totalling $321.6 million for the year.

Cash sales for Pick-3 were $41.8 million with profits of $13.4 million. Sales for the game consistently reached $700,000 weekly.

Lottario and Provincial experienced lower sales consistent with maturing products. Cash sales for Lottario and Provincial were $118 million and $32.6 million respectively.

Celebration '90 and Fiesta Del Sol, two Special Event lotteries, generated cash sales of $9.5 million in 1989-90. Celebration '90 offered more than $43 million in prizes and a top prize of $5 million. Fiesta Del Sol gave away prizes worth more than $33 million and another top prize of $5 million. Profits from both $20 premium lotteries were $1.2 million.

The Corporation launched eight different Instant games this fiscal year. Cash sales were $246.8 million, $38.4 million less than a year ago. With the introduction of Winter Surprise in early November 1989, the OLC embarked on the revitalization of its scratch and win games with larger ticket sizes, new game themes, different prize structures and a variety of ticket graphics and colours. A popular feature has been the incorporation of two instant games and chances of winning two prizes on one ticket.

On January 6, 1990, Ontario Lottery Live made its debut on TVOntario at 10:30 p.m. Every

Saturday, the show provides lottery players with the convenience of one-stop viewing. It combines live lottery draws, recaps of winning numbers, diverse information on the lottery industry and features on how lottery profits benefit the people and communities of Ontario. As well, each week the show profiles a different Ontario community.

We at the Ontario Lottery Corporation are firmly committed to providing Ontarians with exciting and entertaining lotteries. By doing this, we can help ensure that lottery profits will continue to provide a valuable source of funding for worthwhile projects in Ontario. With lottery dollars, "Together we're making good things happen."

Ian Nielsen-Jones
President

DISTRIBUTION OF INCOME

Prizes

Total prizes consist of cash prizes and free tickets. Cash prizes reached $622.1 million, representing 47.1% of cash sales. Free ticket prizes amounted to $63.8 million.

($Millions)	1989/90	1988/89
Cash prizes	622.1	608.3
Free tickets	63.8	77.3
Total	685.9	685.6

Unclaimed prizes

Prizes may be claimed for up to one year. For reporting purposes on the balance sheet, all unclaimed prize money is combined under the heading "Prize money unclaimed." These funds fall into three categories:

i) prizes from draws less than one month old;
ii) prizes from draws one to 12 months old; and
iii) prizes from draws which are more than 12 months old.

These latter funds (iii) are considered unclaimed and are used for bonus promotions.

($Millions)	1989/90
20.4	Prizes (0-1 month)
18.7	Prizes (1-12 months)
28.1	Prizes (12+ months)
67.2	Total

Commissions

Commissions paid to 48 independent distributors and 11,700 retailers reached $101.2 million.

Retailers received a commission of eight per cent for selling Wintario/Wintario EXTRA and Instant tickets and five per cent for other games. Prize redemption fees are also paid. Distributors received one per cent commission on Instant tickets, an average of 2.5 per cent on Wintario EXTRA, Provincial and Special Event tickets and a weekly service fee of $4.50 per terminal for delivering supplies to on-line lottery terminals in their territory.

Operating Expenses

In 1989/90, operating costs were $97.2 million, comprising advertising, administration, equipment and ticket printing, and represented 7.4 per cent of cash sales. Interest income reduced this to 6.7 per cent. In 1988/89, operating costs amounted to $96.7 million, comprising advertising, administration, equipment and ticket printing, and represented 7.4 per cent of cash sales. Interest income reduced this to 7.0 per cent.

The Corporation's board of directors were paid a total of $9,720 in per-diems in the year for attending formal business meetings.

Sales – Year Ending March 31, 1990

($Millions)	1989/90		
	Cash Sales	Free Tickets	Total
Wintario/Wintario EXTRA	106	32	138
Lottario	118	0	118
Instant	247	28	275
Pick-3	42	0	42
Provincial	33	3	36
Lotto 6/49	728	0	728
Encore	37	0	37
Special Event	9	1	10
Total	1,320	64	1,384

Distribution of Cash Sales

ONTARIO LOTTERY CORPORATION
BALANCE SHEET
as at March 31, 1990

	1990	1989
Assets	($000's)	($000's)
Current Assets		
Cash	7,593	19,335
Prize funds on deposit	67,182	48,138
Due from Interprovincial Lottery Corporation	—	5,304
Accrued interest	1,115	696
Accounts receivable	7,148	4,767
Prepaid expenses	4,567	1,836
	87,605	80,076
Liabilities		
Current Liabilities		
Prize money unclaimed	67,182	48,138
Net profits due to Treasurer of Ontario	2,613	1,835
Accounts payable and accrued liabilities	11,647	14,702
Due to Interprovincial Lottery Corporation	2,691	—
Deferred income	3,472	15,401
	87,605	80,076

See accompanying notes to financial statements.

On behalf of the Board:

Director **Director**

ONTARIO LOTTERY CORPORATION
STATEMENT OF OPERATIONS
for the year ended March 31, 1990

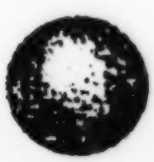
	1990	1989
	($000's)	($000's)
Sales		
Cash ticket sales	1,319,623	1,300,606
Free tickets	63,833	77,299
	1,383,456	1,377,905
Prizes and Commissions		
Prizes (note 3)	622,149	608,290
Free tickets	63,833	77,299
Commissions – retailers and distributors	101,215	102,354
	787,197	787,943
Sales Less Prizes and Commissions	596,259	589,962
Operating Expenses		
Administration and other expenses	48,254	42,356
Advertising	26,213	25,797
Equipment	7,993	11,223
Ticket printing	14,775	17,316
	97,235	96,692
Operating Income	499,024	493,270
Interest Income	9,065	6,310
Net Profits (note 5)	508,089	499,580

See accompanying notes to financial statements.

ONTARIO LOTTERY CORPORATION
STATEMENT OF NET PROFITS DUE TO TREASURER OF ONTARIO
for the year ended March 31, 1990

	1990	1989
	($000's)	($000's)
Balance, beginning of year	1,835	2,705
Net profits (note 5)	508,089	499,580
	509,924	502,285
Less: Payments to Treasurer of Ontario (note 4)	491,000	485,000
Payments to Government of Canada on behalf of the Province of Ontario (note 5)	16,311	15,450
Balance, end of year	2,613	1,835

See accompanying notes to financial statements.



ONTARIO LOTTERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 1990

1. Nature of the Corporation

The Ontario Lottery Corporation was incorporated without share capital on February 6, 1975 pursuant to the Ontario Lottery Corporation Act. The Corporation is responsible for the conduct and management of lottery games in Ontario. The Wintario/Wintario EXTRA, Lottario, Instant, Encore and Pick-3 lotteries are conducted solely by the Corporation, whereas, the Provincial, Special Events and Lotto 6/49 lotteries are joint undertakings by all Provinces acting through the Interprovincial Lottery Corporation (ILC). The Corporation purchases tickets for the Provincial, Special Events and Lotto 6/49 lotteries from the ILC and manages their sale throughout Ontario. The Wintario lottery was changed and renamed Wintario EXTRA in January 1990.

2. Significant Accounting Policies

(a) Basis of accounting

The Corporation's financial statements are prepared in accordance with generally accepted accounting principles except for fixed assets which are written off to operations at the time of acquisition.

(b) Revenue recognition

Revenues are deferred on ticket sales where a draw has not taken place as of March 31.

3. Prizes

Included in prizes is the Corporation's share of prizes for ILC games and its share of ILC's net operating expenses. These prizes and net operating expenses for the year amounted to $349.0 million (1989 – $348.1 million).

4. Payments to Treasurer of Ontario

The net profits of the Corporation less payments to the Government of Canada on behalf of the Province of Ontario are payable to the Treasurer of Ontario. During the year payments to the Treasurer of Ontario were as follows:

	1990	1989
	($000's)	($000's)
Lotto 6/49	315,000	307,000
Instant	81,000	101,000
Lottario	44,000	45,000
Wintario/Wintario EXTRA	19,000	14,000
Pick-3	14,000	2,000
Provincial	10,000	13,000
Encore	7,000	—
Special Events	1,000	2,000
Super Loto	—	1,000
	491,000	485,000

5. Payments to Government of Canada

The various provincial lottery corporations make remittances to the Government of Canada under an agreement dated August 1979. The agreement stipulates that the Government of Canada will not participate in the sale of lottery tickets.

Prior to the current year, payments to the Government of Canada on behalf of the Province of Ontario were included in the Statement of Operations. Commencing with the current year, these payments are included in the Statement of Net Profits due to Treasurer of Ontario. The effect of this change, which was applied retroactively, increased net profits for the year by $16,311,000 (1989 - $15,450,000).

6. Commitments

On July 8, 1986, the government announced its intention to relocate the majority of the Corporation's operations to Sault Ste. Marie. The Corporation's commitment with respect to the land and building to be occupied by the Corporation is estimated at $30 million based on a prepaid 20-year lease with payments anticipated in each of the next 3 years. Other costs associated with the move are anticipated in the amount of $35 million.

The Corporation also has commitments totalling $3.5 million for office space under operating leases expiring June 1995.

7. Income Taxes

As a Crown corporation of the Province of Ontario, the Corporation is exempted from income taxes. Accordingly, no provision for income taxes is made in the financial statements.

8. Comparative Figures

Certain comparative figures have been reclassified to conform with the 1990 presentation.

Office of the
Provincial
Auditor

To the Board of Directors of the Ontario Lottery Corporation and to the Minister of Tourism and Recreation.

I have examined the balance sheet of the Ontario Lottery Corporation as at March 31, 1990 and the statements of operations and net profits due to Treasurer of Ontario for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations for the year then ended in accordance with the accounting policy described in note 2(a) to the financial statements applied on a basis consistent with that of the preceding year.

D.F. Archer, F.C.A.,
Provincial Auditor.

Toronto, Ontario,
June 29, 1990.

E D I T O R S N O T E :

PLEASE NOTE THAT THE PROFIT FIGURE CONTAINED IN THE ATTACHED ANNUAL REPORT FOR 1989-90 DIFFERS FROM THE LOTTERY PROFIT FIGURE CONTAINED IN THE ONTARIO GOVERNMENT BUDGET REPORT.

THE PROFIT FIGURE IN THE ANNUAL REPORT DOES NOT INCLUDE THE CORPORATIONS ANNUAL PAYMENT TO THE GOVERNMENT OF CANADA. FOR FURTHER EXPLANATION, REFER TO PAGE 7 OF THE LOTTERY CORPORATION ANNUAL REPORT, OR CONTACT ME AT THE FOLLOWING NUMBERS:

JIM CRONIN- (705) 946-6716 (O)
(705) 649-2411 (H)

Ontario Lottery Corporation

473 Queen Street East
4th Floor
Sault Ste. Marie, Ontario
P6A 1Z5
(705) 946-6464

2 Bloor Street West
Toronto, Ontario
M4W 3H8
(416) 961-6262

Winning Numbers

Lottario	(416) 870-9122
Pick-3	(416) 870-9135
Lotto 6/49 and Encore	(416) 870-9134
Wintario EXTRA	(416) 870-9170
Provincial	(416) 870-9161
Cleansweep	(416) 870-2300

Winning Numbers (French Language)

Lotto 6/49, Encore, Lottario and Pick-3	(416) 870-9137
Cleansweep, Wintario EXTRA and Provincial	(416) 870-9136

An agency of:

Ontario Ministry of Tourism and Recreation

On peut aussi se procurer ce rapport en français.